

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-05 IO-10 NEA-06 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

AEC-05 DODE-00 FEAE-00 FPC-01 H-01 INT-05 L-02 NSC-05

PM-03 SAM-01 OES-03 SS-15 STR-01 OIC-02 /111 W

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P R 182112Z DEC 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 4812

INFO AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 30423

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: MEETING OF STANDING GROUP ON OIL MARKET,
DECEMBER 16-17

REF: USOECD 29370

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1. SUMMARY. STANDING GROUP ON OIL MARKET (SOM) IDENTIFIED, THOUGH WITHOUT GREAT PRECISION, TYPES OF DATA MOST MEMBERS WISH TO HAVE INCLUDED IN THE IEP GENERAL INFORMATION SYSTEM (GIS) AS A MATTER OF PRIORITY. CHAIRMAN (HOPPER OF CANADA) PLANS TO ATTEND MEETING OF OIL COMPANY WORKING GROUP ON GIS IF SOLUTION TO ANTI-TRUST CONCERNS PERMITS IT TO TAKE PLACE SHORTLY; HE WILL SUBSEQUENTLY PREPARE DRAFT REPORT ON GIS FOR CONSIDERATION BY SOM AT ITS NEXT MEETING ON JANUARY 14-15.

2. EFFORTS TO MAKE FRAMEWORK FOR CONSULTATION WITH INDIVIDUAL OIL COMPANIES (CHAPTER VI OF IEP AGREEMENT) INTO A FORMAL INSTRUMENT DESIGNED TO MAXIMIZE DIRECT FLOW OF INFORMATION FROM OIL COMPANIES TO SOM WERE SUCCESSFULLY RESISTED BY US DEL. SOM DISCUSSED CANADIAN PAPER ON PRICE STRUCTURE OF INTERNATIONAL OIL AND AGREED THAT CHAIRMAN SHOULD PRESENT IT TO DECEMBER 18 MEETING OF IEA GOVERNING BOARD AS A CANADIAN EFFORT, ALONG WITH COMMENTS BY SOME SOM MEMBERS. END SUMMARY.

3. OIL COMPANY WORKING GROUP MEETING. IN RESPONSE TO REQUEST FROM CHAIRMAN FOR A REPORT, US REP SAID HE BELIEVED THERE WAS A GOOD POSSIBILITY THAT A LETTER FROM THE JUSTICE DEPARTMENT WHICH COULD FACILITATE THE PARTICIPATION OF AMERICAN COMPANIES IN A MEETING OF THE OIL COMPANY WORKING GROUP ON THE GIS WOULD BE FORTHCOMING SHORTLY. CHAIRMAN AND UK DEL WELCOMED THIS DEVELOPMENT. JAPANESE DEL, HOWEVER, EXPRESSED STRONG DISSATISFACTION WITH DELAY, INTIMATING THAT USG DRAGGING FEET ON GIS ASPECT OF IEP. US DEL RESPONDED THAT JUSTICE PROCEEDING WITH CUSTOMARY THOROUGHNESS IN A MATTER INVOLVING ITS RESPONSIBILITIES UNDER US ANTITRUST LAWS. LATER IN MEETING CHAIRMAN SAID HE HAD LEARNED THAT EXXON WAS PREPARED TO CHAIR A MEETING OF THE OIL COMPANY WORKING GROUP ON DECEMBER 20 IN NEW YORK IF JUSTICE LETTER AVAILABLE SEVERAL DAYS BEFORE THAT DATE.

4. CONTENT OF GIS. MOST DELS PRESENTED STATEMENTS ON INFORMATION THEY WOULD LIKE TO HAVE INCLUDED IN GIS, THOUGH VERY FEW IDENTIFIED THE DESIRED DATA WITH MUCH CONFIDENTIAL

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PRECISION AND EVEN FEWER RELATED THEIR NEEDS TO SPECIFIC PROBLEMS OR CONCERNS. US DEL SAID HE WAS NOT REQUESTING INCLUSION OF SPECIFIC ITEMS AT THIS TIME, BUT THAT IN GENERAL THE TERMS OF GOVERNMENT TO GOVERNMENT DEALS AND ARRANGEMENTS WERE OF INTEREST. CHAIRMAN URGED MEMBERS OF SOM NOT TO REQUEST INCLUSION OF WIDE VARIETY OF ITEMS IN GIS AS SUBSTITUTE FOR ENSURING THEIR OWN LAWS AND DATA GATHERING PROCEDURES ARE ADEQUATE. HE PROCEEDED

TO DRAW FROM COUNTRY SUBMISSIONS THE FOLLOWING AREAS TO
BE GIVEN PRIORITY ATTENTION IN DEVELOPING THE GIS:

(A) PRICES, INCLUDING TRANSFER PRICES TO AFFILIATES;
(B) COST OF CRUDE OIL AND OIL PRODUCTS; AND (C) TERMS
OF ARRANGEMENTS FOR ACCESS TO MAJOR SOURCES OF CRUDE
OIL. HE PROPOSED, AND SOM AGREED' THAT IF OIL COMPANY
WORKING GROUP MEETING HELD ON DECEMBER 20, HE WOULD
ATTEND TO ASCERTAIN COMPANIES' VIEWS ON GIS; HE WOULD
SUBSEQUENTLY PREPARE DETAILED PROPOSAL ON GIS FOR CON-
SIDERATION AT NEXT MEETING OF SOM, WHICH WAS SCHEDULED
FOR JANUARY 14 AND 15 IF NECESSARY.

5. FRAMEWORK FOR CONSULTATIONS WITH INDIVIDUAL OIL

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 30423

COMPANIES. A NUMBER OF EFFORTS WERE MADE BY SOME COUNTRIES, AND BY SECRETARIAT IN A PRELIMINARY DRAFT, TO INTRODUCE FORMAL ELEMENTS INTO FRAMEWORK, SUCH AS PROVISION FOR CONVOCAION OF SOM BY EXECUTIVE DIRECTOR OF IEA
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SECRETARIAT TO CONDUCT CONSULTATION WITH AN OIL COMPANY IF PARTICULAR REQUEST FOR CONSULTATION BY COUNTRY OF GENERAL INTEREST. SUCH ELEMENTS WERE DELETED AT REQUEST OF US DEL. SOM FINALLY INDICATED GENERAL SUPPORT FOR A DRAFT OF A RELATIVELY SIMPLE, FLEXIBLE PROCEDURE, WHICH CHAIRMAN WILL PRESENT TO OIL COMPANIES FOR THEIR VIEWS. HE WILL THEN ATTEMPT TO ACHIEVE AGREEMENT ON A REPORT BY THE SOM AT ITS NEXT MEETING.

6. ONE IMPORTANT POINT WAS LEFT UNRESOLVED. BRITISH DEL INSISTED THAT NOTE ON FRAMEWORK FOR CONSULTATION WITH INDIVIDUAL COMPANIES BE DRAFTED TO ALLOW POSSIBILITY OF CONSULTATION WITH TWO OR MORE COMPANIES AT THE SAME TIME, WHICH, HE SAID, WAS INTENT OF IEP AGREEMENT. US DEL INSISTED EQUALLY THAT AGREEMENT PROVIDES FOR CONSULTATION WITH ONLY ONE COMPANY AT A TIME AND THAT NOTE SHOULD REFLECT THIS READING. (BRITISH DEL (LINDLEY) TOLD US PRIVATELY THAT HE IS UNDER VERY STRONG PRESSURE FROM BP ON THIS POINT.)

7. INTERNATIONAL OIL PRICES. CANADIAN DRAFT PAPER ON THE PRESENT PRICE STRUCTURE OF INTERNATIONAL OIL (NOT INCLUDING LATEST OPEC DECISIONS) WAS DISCUSSED AT SOME LENGTH AND A FEW TECHNICAL POINTS WERE CLARIFIED. IT WAS FINALLY AGREED THAT THE PAPER WOULD BE SUBMITTED TO THE GOVERNING BOARD AS CANADIAN RATHER THAN SOM REPORT' OWING IN LARGE PART TO GERMAN DEL'S CONCERN THAT DISCUSSION OF RECENT SUPPLIERS' MARGINS IN PAPER MIGHT MISLEAD READERS WITH RESPECT TO ACTUAL OIL COMPANY PROFITS.

8. COMMENT: OWING TO WIDE DIVERGENCE IN SOM DELS' SOPHSTICATION IN DEALING WITH OIL MARKET DATA AND TO GENERALLY POOR LEVEL OF HOMEWORK SO FAR, HOPPER, WHO IS

BOTH KNOWLEDGEABLE AND DYNAMIC, IS LIKELY TO PLAY A
MAJOR ROLE IN DETERMINING THE NATURE OF THE SOM REPORT
ON THE GIS. MAJOR CANADIAN INTEREST IN GIS APPEARS TO
BE TRANSFER PRICES, WHICH IT HOPES TO GET AT BY EXCHANGE
OF INFORMATION ON IMPORT COSTS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, COMMITTEES, PLANNING MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OECDP30423
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740368-0733
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741226/aaaaavpy.tel
Line Count: 228
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 USOECD 29370
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by shawdg>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IEA: MEETING OF STANDING GROUP ON OIL MARKET, DECEMBER 16-17
TAGS: ENRG, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005